Customer Value and Intention to Buy Private Label Products

Nina Maharani*

Management Department, Faculty of Economics and
Business
Universitas Islam Bandung
Bandung, Indonesia
*nina.maharani68@gmail.com

Arief Helmi, Asep Mulyana, Meydia Hasan

Management Department, Faculty of Economics and
Business
Universitas Padjadjaran
Bandung, Indonesia

Abstract—**A company's competitive advantage can be generated in two ways: by creating private label products and by creating superior customer value. Superior customer value can drive purchase intention and create customer satisfaction and loyalty. The purpose of this study is to determine a), the most dominant dimension in forming customer value variables and b), how much influence customer value has on purchase intention of private label products in modern stores. The data collection method used questionnaires to 100 consumers who bought private label products in modern stores. Hypothesis testing used the statistical tool Structural Equation Model with the Partial Least Square (SEM - PLS) approach. The results show that the most dominant dimension in shaping the customer value variable is the performance value, and customer value has a significant effect on the purchase intention of private label products.**

Keywords—*customer value, private label products*

I. INTRODUCTION

Retailers around the world have a strategic interest in private label brands, as private label brands are becoming increasingly popular all over the world and sold exclusively through certain retail chains [1]. Retailers have several advantages in selling private label brand products, including increasing store traffic, improving margins and building consumer loyalty [2].

Market share in dollars for private label products in several ASEAN countries sees Singapore at 8%, Malaysia at 2%, and Indonesia, the Philippines and Thailand each at 1% [3]. Market share represents the total market sales earned by a particular company during a certain period of time [4]. One of the tools to measure sales is the purchase intention of consumers [5]. Companies usually use purchase intention to predict sales of new products or for resale of existing products. The low market share in dollars for private label products in Indonesia is thought to be due to the low intention to buy private label products in Indonesia.

One of the things that can increase purchase intention of private label products or organic products in general is customer value as stated by Konuk [6], Watanabe et al. [7], Curvello et al. [8], Le-Anh and Nguyen-To [9]. To increase the purchase intention of private label products in Indonesia involves the concept of customer value. This customer value can take the form of functional value or performance value, namely high-quality private label products and the quality of private label products that is comparable to the quality of national branded products [10].

The role of customer value in consumer behavior is very important, because it explains purchase intention, product selection, brand selection and repurchase these represent consumer behavior before and after purchasing a product [11]. Woodruff [12] argues that there are several important roles of customer value, such as to obtain a competitive advantage and to create customer loyalty and satisfaction.

Previous research on the customer value of private label products and organic food products has generally focused on customer value dimensions such as functional value, emotional value, economic value and social value Konuk [6], Watanabe et al. [7], and Curvello et al. [8]. The customer value dimensions used in this study are the same customer value dimensions used by Philstorm and Brush [13], namely economic value, social value, functional value and conditional value, making this research different from previous research done [13,14]. The context of previous research was organic food products and private label organic food products; however, in this study the context is modern stores, mainly minimarkets, supermarkets and hypermarkets, that sell private label products.

This study aims to determine what dimensions of value form the most varied customer value and how much influence customer value has on the purchase intention of private label products.

II. LITERATURE REVIEW

Zeithaml [15] argues that whatever he wants in a product is the definition of customer value and that the most important thing in customer value is the benefits customers receive when they use or consume the product. Lusch et al. [16] state that the added benefits that arise when goods or services are used is called customer value.

Sheth et al. [17], Walsh and Mitchell [18], and Wang et al. [19] state that there are six consumption or customer values that affect consumers in buying products, namely:

- Functional value is the benefit obtained from functional, utilitarian or physical performance such as: reliability, durability, features, suitability, serviceability and aesthetics of a product.

- Social value is the benefit obtained from associating with one or more reference groups related to acceptance of the reference group because consumers choose certain products.

- Emotional value is the benefit obtained from the psychological or mental needs of consumers as a result of consuming certain products.

- Epistemic value is the benefit obtained from curiosity, product novelty, and desire for knowledge; this value is also generated by learning new ways of doing an activity.

- Conditional value is the benefit obtained from the results of a special situation or a series of conditions. This conditional value arises when using a product or service under specific circumstances.

- Economic value (price or money value) is the benefit resulting from the product compared to the financial value incurred in exchange.

Lu et al. [20] state that the possibility of consumer planning or effort to buy certain products or services in the future is referred to as purchase intention. Retnawati et al. [10] added 'encouragement' to consumer attitudes to try, buy, or consume private label products available in retail stores they visit, and this is called private label product purchase intention. Lee and Lee [21] emphasize that if the intention to buy is strong, the incentive to make an actual purchase will be higher.

Konuk [6], Le-Anh and Nguyen-To [9] argue that the desire to buy is significantly influenced by customer value.

Watanabe et al. [7] and Curvelo et al. [8] argue that customer value which consists of functional value, emotional value, economic value and social value is an important aspect of product purchase intention. This opinion Watanabe et al. [7] and Curvelo et al. [8] strengthens the opinion of Konuk [6], Le-Anh and Nguyen-To [9].

The hypothesis in this study is that customer value positively affects the purchase intention of private label products.

III. RESEARCH METHODS

The data in this study were analyzed using SEM-PLS (Structural Equation Modeling, with Partial Least Square) because this study involved a small sample size [22]. Different variables were used in this study, such as customer value, as the exogenous variable, and purchase intention, as the endogenous variable. The dimensions and indicators used to make statements in the questionnaire include customer value, which uses a combination of dimensions and indicators from Philstorm and Brush [13], Khan and Mohsin [14]; and purchase intention, which uses the combined indicators of Chen et al. [23] and Curvelo et al. [8].

Respondents in this study were consumers in modern stores (minimarkets, supermarkets and hypermarkets) in Bandung who had purchased private label products in a modern shop over the last three months, and there were 100 respondents sampled in this study.

IV. RESULTS AND DISCUSSION

A. Research Results

Before the research results are discussed, this section will discuss the characteristics of the respondents who were the research samples will be presented (See Table 1).

TABLE I.   CHARACTERISTIC OF RESPONDENTS

Demographic Factor	Frequency	Percent (%)	Demographic Factor	Frequency	Percent (%)
Gender:			Age:		
Male	35	35	15-25	34	34
Female	65	65	26-40	31	31
			41-55	26	26
			> 56	9	9
Occupation:			Expense/month:		
Student	22	22	500k – 1500k	38	38
Civil servant	4	4	1501k – 3000k	35	35
Private employee	24	24	3001k – 4500k	13	13
Entrepreneur	29	29	4501k – 6000k	9	9
Retired/Housewife	21	21	> 6000k	5	5
Education:			How many private label items were purchased		
Junior High School	11	11	< 2 item		
Senior High School	38	38	3-5 item	62	62
Diploma (D1-D3)	7	7	> 6 item	32	32
Bachelor (S1)	34	34		6	6
Master/Doctor (S2/S3)	10	10			
Total	n = 100	100.0		n = 100	100.0

Source: Statistical Processing Result, 2020.

Respondents were 65% female and 35% male; the dominant occupation of respondents 29% were entrepreneurs and 24% were private employee. The dominant education of respondents 38% were had a high school education, with 34% being college graduates. Seventy-three percent of respondents had a monthly expense of between Rp500,000 and Rp3,000,000, and 53% bought 1-2 private label products each time they went shopping.

The statistical analysis tool used in this study was structural equation modeling (SEM) with the partial least square (PLS) approach. The SEM method with the PLS approach produces two types of models, namely the measurement model (outer model) and the structural model (inner model). Based on the results of calculations using the Smart PLS 3.2 program, the following results were obtained (See Figure 1):
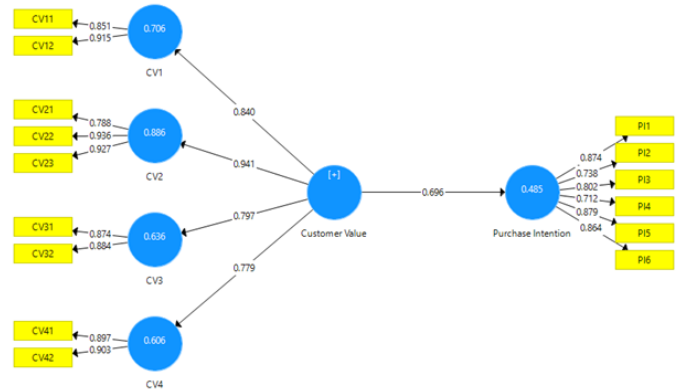

Fig. 1. Path diagram of research result.

The outer model is used to determine the specification of the relationship between the latent variables (constructs) and the manifest variables. Testing of the outer model includes convergent validity and construct reliability.

TABLE II. CONVERGENT VALIDITY AND CONSTRUCT RELIABILITY

Variable	Dimension	Indicator	pi	Loading Factor	AVE	CR	CA
Customer Value (CV)	Economic Value	CV11	0,840	0.851	0,781	0,877	0,723
		CV12		0.915			
	Functional/ Performance Value	CV21	0,941	0.788	0,786	0,916	0,860
		CV22		0.936			
		CV23		0.927			
	Social Value	CV31	0,797	0.874	0,772	0,872	0,705
		CV32		0.884			
	Conditional Value	CV41	0,779	0.897	0,810	0,895	0,766
		CV42		0.903			
Purchase Intention (PI)		PI1		0.874	0,663	0,921	0,897
		PI2		0.738			
		PI3		0.802			
		PI4		0.712			
		PI5		0.879			
		PI6		0.864			

Source: Statistical Processing Result, 2020.

In Table 2, the symbol of **pi** describes the influence of the dimensions that make up the customer value variable. From this table, it can be seen that the functional/performance value is the most dominant dimension in shaping the customer value variable, followed by economic value, social value, and finally, conditional value.

All manifest variables have a loading factor value that is much greater than 0.5 (critical value), which indicates that all indicators have the ability to clearly explain the constructs that are formed. In addition, all constructs have an AVE (average variance extracted) value larger than 0.5; consequently, the precondition is convergent validity, and for construct reliability both variables have CR and CA values above 0.7.

TABLE III. HYPOTHESIS TESTING

Hypothesis	pi	Direct Effect	T-Statistic	Critical Value	Conclusion
X (CV) → Y (PI) H₁	0,696	48,4%	15,220	1,96	Significant

Source: Statistical Processing Results, 2020.

The results of hypothesis testing are shown in Table 3. They show a significant and positive customer value effect on purchase intention, where a higher customer value signifies an impact on the higher purchase intention. The magnitude of the contribution of the influence of the customer value on purchase

intention was 48,4%, while the remaining 51,6% was the amount of influence contributed by other factors not examined.

B. Discussion

Functional/performance value is the most dominant dimension in forming customer value variables. This is in line with the results of research from Retnawati et al. [10] that the performance value or functional value is the high quality of private label products or the quality of private label products being comparable to the quality of national branded products. Sprott and Shimp [24] and Norfarah et al. [25] stated that one of the important factors in the decision to purchase private label products, as well as the determining factor for the success of private label products, is the quality of the product.

The results of hypothesis testing prove that customer value has a positive and significant positive effect on purchase intention regarding private label products, which is in line with the results of research conducted by Beneke and Carter [1] and Konuk [6]. Meanwhile, Amin and Tarun [26] stated that functional value and social value have no influence on purchase intention because consumers prefer functional attributes. In addition, consumers also think that social value is not very important. This is because the choice to consume green products is influenced by personal factors, such as attitudes and personality.

V. CONCLUSION

Some of the dimensions that make up the customer value variable are economic value, functional/ performance value, social value and conditional value, but the most dominant dimension that influences the customer value variable is the functional/performance value dimension. Customer value has a significant positive effect on purchase intention for private label products.

This research has limitation in using sampling, it is only used one region in Indonesia and the limited number of variables which is observed. Future research will focus on several different regions in Indonesia and use multiple research variables.

REFERENCES

[1] J. Beneke and S. Carter, "The development of a consumer value proposition of private label brands and the application thereof in a South African retail context," Journal of Retailing and Consumer Services, vol. 25, pp. 22-35, 2015.

[2] R. Batra and I. Sinha, "Consumer-level factors moderating the success of private label brands," Journal of retailing, vol. 6, no. (2), pp. 175-191, 2000.

[3] N.V. Nielsen, "The State of Private Labels Around the World," 2014. [Online]. Retrieved from: http://www.Nielsen.com/be/en/insights/reports/2014/the-state-of-private-label-around-the-world.html

[4] P. Kotler and K.L. Keller, Marketing Management (Fourteenth). New York: Prentice Hall, 2012.

[5] M.F. Diallo, "Effects of Store Image and Store Brand Price-Image on Store Brand Purchase Intention: Application to An Emerging Market," Journal of Retailing and Consumer Services, vol. 19, pp. 360–367, 2012.

[6] F.A. Konuk, "The Role of Store Image, Perceived Quality, Trust and Perceived Value in Predicting Consumers' Purchase Intentions Towards Organic Private Label Food," Journal of Retailing and Consumer Services, vol. 43, pp. 304-310, 2018.

[7] E.A. de Morais Watanabe, S. Alfinito, I.C.G. Curvelo, and K.M. Hamza, "Perceived value, trust and purchase intention of organic food: a study with Brazilian consumers," British Food Journal, vol. 122, no. (4), pp. 1070-1184, 2020.

[8] I.C.G. Curvelo, E.A. de Morais Watanabe, and S. Alfinito, "Purchase intention of organic food under the influence of attributes, consumer trust and perceived value," Revista de Gestão, vol. 26, no. (3), pp. 198-211, 2019.

[9] T. Le-Anh and T. Nguyen-To, "Consumer purchasing behaviour of organic food in an emerging market," International Journal of Consumer Studies, vol. 44, no. (6), pp. 563-573, 2020.

[10] B.B. Retnawati, E. Ardyan, and N. Farida, "The important role of consumer conviction value in improving intention to buy private label product in Indonesia," Asia Pacific Management Review, vol. 23, no. (3), pp. 193-200, 2018.

[11] M.G. Gallarza, I. Gil-Saura, and M.B. Holbrook, "The value of value: Further excursions on the meaning and role of customer value," Journal of consumer behaviour, vol. 10, no. (4), pp. 179-191, 2011.

[12] R.B. Woodruff, "Customer Value: The Next Source for Competitive Advantage," Journal of the Academy of Marketing Science, vol. 25, no. (2), pp. 139-153, 1997.

[13] M. Pihlström and G.J. Brush, "Comparing the perceived value of information and entertainment mobile services," Psychology & Marketing, vol. 25, no. (8), pp. 732-755, 2008.

[14] S.N. Khan and M. Mohsin, "The power of emotional value: Exploring the effects of values on green product consumer choice behavior," Journal of Cleaner Production, vol. 150, pp. 65-74, 2017.

[15] V.A. Zeithaml, "Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence," Journal of Marketing, vol. 52, no. (3), pp 2-22, 1988.

[16] R.F. Lusch, S.L. Vargo, and M. O'brien, "Competing through service: Insights from service-dominant logic," Journal of retailing, vol. 83, no. (1), pp. 5-18, 2007.

[17] J.N. Sheth, B.I. Newman, and B.L. Gross, "Why we buy what we buy: A theory of consumption values," Journal of business research, vol. 22, no. (2), pp. 159-170, 1991.

[18] G. Walsh and V.W. Mitchell, "Consumers' intention to buy private label brands revisited," Journal of General Management, vol. 35, no. (3), pp. 3-24, 2010.

[19] H.Y. Wang, C. Liao, and L.H. Yang, "What affects mobile application use? The roles of consumption values," International Journal of Marketing Studies, vol. 5, no. (2), pp. 11-22, 2013.

[20] L.C. Lu, W.P. Chang, and H.H. Chang, "Purchase intention: The effect of sponsorship type, product type, and brand awareness," Computers in Human Behavior, vol. 34, pp. 258-266, 2014.

[21] J. Lee and J.N. Lee, "How purchase intention consummates purchase behaviour: the stochastic nature of product valuation in electronic commerce," Behaviour & Information Technology, vol. 34, no. (1), pp. 57-68, 2015.

[22] J.F. Hair Jr, G.T.M. Hult, C. Ringle, and M. Sarstedt, A Primer On Partial least Squares Structural Equation Modeling (PLS-SEM), 2nd edition. California: Sage Publication, 2016.

[23] C.C. Chen, K.L. Hsiao, and S.J. Wu, "Purchase intention in social commerce," Library Hi Tech., vol. 36, no. (4), pp. 583-604, 2018.

[24] D.E. Sprott and T.A. Shimp, "Using product sampling to augment the perceived quality of store brands," Journal of Retailing, vol. 80, no. (4), pp. 305-315, 2004.

[25] N. Norfarah, P.M. Koo, and A.K. Siti-Nabiha, "Private Label Brand Purchase Intention: A Malaysian Study," Global Business & Management Research, vol. 10, no. (1), 2018.

[26] S. Amin and M.T. Tarun, "Effect of consumption values on customers' green purchase intention: a mediating role of green trust," Social Responsibility Journal, 2020.